

LESSON PLAN

LESSON TITLE: Checking Account Management

INSTRUCTOR:

TEACHING METHOD: Informal lecture & discussion

INSTRUCTIONAL AIDS: Informal handouts

CLASS TIME: 1 1/2 hours, depending on class size

LESSON OBJECTIVE: To provide participants with a fundamental understanding of how to manage a checking account. Upon completion of this seminar, participants should have the skills and a working knowledge of:

- how to select a financial institution to meet personal needs.
- using ATM and debit cards
- the consequences of non-sufficient fund (NSF) checks.
- overdraft protection.
- how to maintain and reconcile checking and savings account statements.
- the appropriate uses of separate and joint accounts.
- planning and implementing separate family financial accounts for such situations as deployments, TDY's, remote tours, etc.

LESSON PLAN MAIN TOPICS

1. Selecting a financial institution.
2. Different types of bank accounts.
3. Explain the use of ATM cards, overdraft protection, NSF checks, and direct deposit.
4. Maintain and reconcile checking and savings account statements.
5. How to plan for family separation during deployment, TDY's and remote tours.

LESSON OUTLINE

A) INTRODUCTION

B) SUBJECT MATTER

I. Selecting a financial institution

- A. Insured Accounts
- B. Personal Service Preference
- C. Stability
- D. Reputation

II. Different types of bank accounts

- A. Regular Checking
- B. Interest-Bearing
- C. Minimum-Balance

III. How to open and use a checking account

- A. Signature card
- B. Individual vs. Joint Accounts
- C. Writing a check
- D. Endorsing a check
- E. The checkbook register
- F. Reconciling your checkbook with your bank statement

IV. How to minimize mistakes

- A. Pros and Cons of checking accounts
- B. ATM cards
- C. Overdraft protection
- D. Savings transfer
- E. Direct Deposit
- F. Non-sufficient fund (NSF) checks
- G. Debit cards

V. Savings Accounts

VI. Family separation during deployment, TDY's and remote tours

C) REVIEW

TEACHING PLAN

INTRODUCTION

ATTENTION: So, what is to know about checking accounts? You put your money in a bank, you get blank checks, and you write checks. Easy!

MOTIVATION: So, why do so many people get into trouble with their checking accounts? Why do some people pay more for bank charges than other people when they write the same number of checks? And, when you go to a bank to open a checking account, why do they throw so many different terms at you?--regular accounts, share-draft accounts, special membership accounts.

OVERVIEW: Main topics

TRANSITION:

SUBJECT MATTER

- I. Selecting a financial institution
 - A. Insured Accounts. Deposits in most institutions are insured up to \$100,000 by FDIC (Federal Deposit Insurance Corporation), FSLIC (Federal Savings and Loan Insurance Corporation) or NCUA (National Credit Union Association). This insures that you will get your money back should the institution fail. **SO MAKE SURE THAT THE BANK YOU CHOOSE DOES HAVE INSURANCE!**
 - B. Personal Service Preference. What specific services do you need in a bank: ATM machines, extended and weekend hours, drive-through service, direct deposit, bill payment or overdraft protection? Make sure you choose an institution that meets your specific needs!
 - C. Stability. What does the news media have to say about the institution? Also, you can ask for financial reports to make sure the institution is financial stable.
 - D. Reputation. What have been experiences of friends, family and co-workers while doing business with this particular organization.

II. Different types of bank accounts.

- A. Regular checking is the traditional checking account. It has no minimum or monthly balance requirements. You are charged a monthly service charge or a fee for each check you write.
- B. Interest-Bearing accounts allow you to write checks and earn interest on the balance on the same account. There is usually a minimum balance requirement. These accounts are called share drafts by credit unions. Banks and savings and loans call these accounts negotiable orders of withdrawal or NOW accounts.
- C. Minimum-Balance accounts require a minimum amount of money at all times to avoid paying a service charge. These accounts offer other benefits because of the high minimum balance requirement.

When choosing your checking account it's important to know the services and charges provided and incurred on these types of accounts:

- Are there fees for maintaining the account, for ordering new checks and for overdrawn or returned checks?
- What are they?
- Are there minimum balances to maintain for any special account?
- Is there overdraft protection? What is the interest you will pay on the extra amount the bank deposits to your account to cover your overdraft?
- Is there direct deposit service? This service deposits your paycheck electronically directly into your checking or savings account.
- Is there Automated Teller Machine (ATM) card service?
- Are there Standing Payment Orders?

III. How to open and use a checking account

- A. Signature card. Your signature on this card protects both you and the bank from forgers. It is a contract between you and the bank (make sure you read it and anything else you sign, carefully). Sign as you plan to sign your checks--it is used to check the signature on your check if there is any question as to its authenticity. The card also indicates who "owns" the contract and the type of "ownership."

- B. Individual vs. Joint accounts. Individual: One owner, one signature. Joint: Two or more owners, one or all signatures may be required.
- C. Writing a check. (See Attachment A-1) Enter the date on the check. Enter the name of the person or business you are paying. Only enter "Cash" if you are writing the check at the cashier window of your bank. Enter the numerical figures for the amount of the check. Write or print the amount of the check on the next line. Start at the far left of the line and draw a line after the amount, so nothing can be entered to change the amount. It is always a good idea to fill out the "memo" or "for" section at the bottom with an account number or reason for the check. Sign the check the same way you signed your signature card. **NEVER SIGN A BLANK CHECK AND NEVER POST DATE A CHECK!!!!!!**
- D. Endorsing a check. You receive a check from Mom, Dad, or the IRS. The only way to cash or deposit that check is to sign or "endorse" it. Do not hold onto a check as you make it harder for the writer of the check to balance their checkbook. **ALSO**, after a certain period of time, it can become invalid or a bank may refuse to take it if it is too old. A check should be endorsed on the back at the far left. This is called a blank endorsement. Endorsements must be kept within 1 to 1-1/2 inch from the top.
- Restricted Endorsement: This can be deposited only as endorsed. Mistakes: If your name is misspelled on the check, you must sign it that way and then sign your correct name below. Once your signature is on the back, the check is negotiable and anyone who possesses it, can cash it. So, do not sign it until you are ready to cash or deposit it. If you want to deposit the check to a checking or savings account, you can write **FOR DEPOSIT ONLY** and your account number on the back above your signature. The bank will only deposit it into an account. If you get a check that you intend to deposit in your savings or checking account, a procedure you can follow to ensure its safety is to endorse it immediately **FOR DEPOSIT ONLY**, Account #XXXXXX and sign it. This statement is what cashiers stamp on the back of checks when they receive them from you.
- E. Checkbook Register. (Handout Check register, Attachment A) The checkbook register is a record of your spending and can help you develop a spending plan or help you check on how well you are following your budget. It is always a good practice to fill in your register before you actually write a check, so you will not forget what you wrote the check for! If your register is correct, you will know whether you have enough money to write the next check. If your register is not up to date, you can easily bounce a check that will cost you more money.

Bad check writing is a criminal offense. The punishment may include a fine and possible imprisonment. It is also a violation of the UCMJ and is a court martial offense. Many young airmen have been sentenced to confinement and/or Bad Conduct Discharges for bad check offenses. Bad check writing will also damage your credit. Do not forget to write in any ATM transactions you make. There is also a service charge if the withdrawal is made from a machine that does not belong to your bank. Double-check your arithmetic. Making accurate entries on your check register is critical. It is much easier to find a mistake than when you are trying to reconcile your monthly statement.

- F. Reconciling Your Bank Statement. (Handout Bank Statement, Attachment A) When you receive your bank statement, you need to compare it to your checkbook register. Go through each item on the statement and check it off in the checkmark column of your register. If you have left any transactions out, make sure you add them in now. You are now ready to balance your statement and register. Write in the bank balance at the top of the reconciliation statement (usually on the back of your bank statement). On the left-hand side, write down any checks you have written that have not cleared through the bank, yet. Total the checks up and subtract them from the balance provided by the bank. If you have made any deposits not showing on the bank statement, add them in now. This total should agree with your check register. If it does not, you need to check and make sure you have subtracted any service charges from your register and re-checked your math. It is wise to keep the statements for at least 90 days.

IV. How to minimize mistakes.

A. Pros and Cons of checking accounts.

Pros:

- You do not have to carry large amounts of cash, which can be lost or stolen.
- Records your expenses, thus your spending habits.
- Provides proof of payment for such things as income tax records.
- Establishes credit.
- Allows your paycheck to be deposited directly to an account instead of having to cash it and carry money.
- Automatic Teller Machines (ATM) allow you to accomplish transactions without going into the bank. (Deposit, transfer or withdraw money, bank balance)
- Transactions such as paying rent and paying by mail will not accept cash.

Cons:

- Some stores do not accept personal checks, especially from out of state.
 - Can lead to unwise, impulsive spending.
 - Overdrawn accounts are expensive.
- B. ATM cards provide self-service banking 24 hours a day, 7 days a week. It allows you to manage your money electronically through a computer terminal. The fee is generally one to two dollars per transaction depending on location. Many people get into trouble with ATM cards by not recording transactions in their bank register or assuming the balance on the ATM receipt is correct. You must remember that an ATM balance does not take into consideration outstanding deposits and checks!
- C. Overdraft Protection. You can open an account that offers overdraft protection. But this protection has a price. Service Charge: A monthly charge to cover checks written when there are no funds in your checking account. This is very expensive, often it is deducted from your account. Loan: Some banks will “lend” you the money for the amount of overdraft. You pay interest on any amount they lend you. Normally, you have to complete a loan agreement for this service.
- D. Savings Transfer allows the bank to automatically transfer funds from your savings account to cover overdrafts. This can often be accomplished by telephone.
- E. Direct Deposit. Your paycheck is automatically transferred from your employer to your bank. Direct Deposit is not necessarily Sure Pay. Sure Pay: Military members only. The amount of your paycheck is covered by the bank even if they have not received the transfer from the federal government by your payday.
- F. Non-sufficient funds (NSF) check. When a check cannot clear your bank account because there is not enough money in the account this is called writing a non-sufficient fund check. Writing NSF checks is very expensive. Normally, the bank charges you a penalty (approx. \$20) and the business you wrote the check to also charges a fee (approx. \$20). So make sure that you keep your checkbook balanced otherwise, it can be an expensive lesson learned!
- G. Debit cards. Debit cards are another way of electronically accessing your account to make purchases at stores, gas stations, restaurants, etc. People often get in trouble when they forget to enter these transactions or service charges for use of the debit card in their checkbook register.

V. SAVINGS ACCOUNT

Savings accounts provide a cushion for unexpected expenses such as expensive car repairs, medical bills, etc. They serve as a place to put money aside to pay for expensive items (e.g., new car, down payment on a house, college education). Earns interest for you on money you are not planning to spend immediately. Provides a place for you to “hide” money from yourself. You may be less likely to draw money out of your savings account than you would a checking account for frivolous items.

VI. Family separation during deployment, TDY's and remote tours.

It is very important that you develop a system before the separation. It is difficult for enough for two people to maintain one account while living together, let alone while living in two separate locations. You might want to consider operating the family budget with two separate accounts. Set a predetermined amount that will be deposited into an account for the member who is away. That way the family member left behind will know exactly how much money is available to pay bills.

REVIEW AND SUMMATION

1. Review main points.

WHAT IS A CHECK?: A written promise to pay.

TYPES OF ACCOUNTS: Regular, share-draft, special.

COMPARISON SHOP: To find the best bank or credit union for your needs.

TRANSACTION REGISTER: Fill out when writing checks.

REVIEW YOUR BANK STATEMENT ASAP

PURPOSE OF SAVINGS ACCOUNT: Cushion for expenses; save for expensive items; earns interest; “hide” money from yourself.

Proper management of a checkbook will cause less financial problems and less chance of disciplinary action.

Maintaining a savings account will help you be prepared for unexpected expenses and to plan for specific goals.

2. Answer any questions.
3. Distribute critiques.

BIBLIOGRAPHY

Get Money Wise, The USAA Foundation, 1991

Making Your Money Matter, PFMP Managers, Beale AFB FSC, Ramstein AB FSC, & Sembach AB FSC, 1993

Checking Accounts, by Margo L. Schaub, Goodfellow AFB FSC, 1994

HANDOUT

* To conduct this exercise, you will need to create your own sample deposit slips and checks or go to the nearest bank or credit union and ask if they will help you. This may be preferable to using the examples in this exercise since most of your seminar participants will be familiar with the local financial institution's statements, etc. If you cannot acquire deposit slips and checks, you may create your own.

CHECKING ACCOUNT TRANSACTIONS

1. On March 1 deduct service charge of \$3.00 (you must remember to do this every month).
2. The rent is due on March 1. Pay Blue Lagoon Apartments \$300.00.
3. Your electric bill is due so make a check out on the 3rd to American Utilities for \$50.00.
4. On March 4 you decide to do your grocery shopping. Make a check out to the Commissary for \$86.00.
5. Deposit your \$815.00 paycheck on the 15th.
6. The 16th is car payment day. Write a check to Dave's Used Cars for \$104.00.
7. A credit card payment is due on the 19th. Make a check out to Charge-It for \$50.00.
8. You need to buy some miscellaneous items at the Base Exchange on the 20th. Write a check to Base Exchange for \$34.00.
9. You are going away for the weekend so you withdraw \$60.00 from the ATM machine on the 25th.
10. It's time to buy more groceries on the 26th. Make a check out to the Commissary for \$42.00.
11. The cable TV bill is due so write a check for \$16 on the 29th to Mario's Cable.
12. It's time to pay the phone bill on the 29th also. Write a check to AT&T for \$32.00.
13. Your auto insurance is due on the 30th. Write a check to USA Insurance Co. for \$80.00.

CHECKBOOK REGISTER

[illegible]

BANK STATEMENT

DATE	ITEM	CHECK AMOUNT	DEPOSIT AMOUNT	BALANCE
03/01	Service Charge	3.00		590.00
03/01	Check #009	25.00		587.00
03/05	Check #010	300.00		262.00
03/08	Check #011	50.00		212.00
03/15	Payroll Deposit		815.00	1027.00
03/19	Check #012	86.00		941.00
03/22	Check #014	50.00		891.00
03/25	ATM Withdrawal	60.00		831.00
03/29	Check #015	34.00		797.00
03/31	Check #017	42.00		755.00

SUMMARY

PREVIOUS BALANCE	TOTAL DEPOSITS	TOTAL CHECKS	NO. OF CHECKS	NO. ATM TRANS	NO. OF DEPOSITS	SEF CHL
590.00	815.00	561.00	7	1	1	3.00

CHECKS OUTSTANDING - NOT CHARGED TO ACCOUNT		Bank Balance Shown on This Statement	\$
CHECK NUMBER	AMOUNT	SUBTRACT	
		Checks Outstanding	-\$
		TOTAL	=\$
		ADD	
		Deposits Outstanding	+\$
		BALANCE	\$
TOTAL	\$	Should agree with checkbook balance after deducting or other charges not in your checkbook (if any)	

Number	Date	Description of Transaction	Payment		4	Fee	Deposit		Bal 565
	3/1	Svc Chg				3.00			562
010	3/1	Blue-Lagoon Apts	300	00					262
011	3/3	American Utilities	50	00					212
012	3/4	Commissary	86	00					126
	3/15	Paycheck					815	00	941
013	3/16	Dave's Used Cars	104	00					837
014	3/19	Charge-It	50	00					787
015	3/20	Base Exchange	34	00					753
	3/25	ATM	60	00					693
016	3/26	Commissary	42	00					651
017	3/29	Mario's Cable	16	00					635
018	3/29	AT&T	32	00					603
019	3/30	USA Insurance Co.	80	00					523